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# OUTLOOK

2023

11

# CORK

The Cork investment market will remain quiet for at least the first six months of the year, whereas the industrial sector will continue to experience good levels of demand in 2023.

## INVESTMENT

### YIELDS HAVE SOFTENED

As with the rest of the country, the Cork investment market will remain quiet for at least the first six months of this year. Most investors have adopted a wait-and-see approach, delaying decisions until there is greater certainty on interest rate stabilisation (particularly in the EU and US) and a better understanding of where prices will settle. As the market went into this period of price discovery in Q3 2022, price chipping occurred generally across Ireland. While few transactions have occurred in Cork, this still means that yields have softened by between 25 and 75 bps to date with further outward movements likely in the months ahead, perhaps by a further 50 bps depending on sector. In spite of this, we are positive about a recovery once there is more certainty on the global outlook and the cost of finance, hopefully in the latter part of 2023. In tandem with this demand and price recovery, the impact of the European Green Deal and the resultant EU Taxonomy Regulations on purchasing or funding properties will come into greater focus. Investors will be much more interested in BERs and will be seeking reports on how ratings could be improved for buildings of B3 or below.

## DEVELOPMENT LAND

### CASH BUYERS WILL DOMINATE

The development land market experienced many similar trends to that of the investment sector in 2022. Prices fell as schemes became unviable; impacted by severe construction cost inflation, higher costs of finance (if available at all), and further government policy changes. A comprehensive new planning bill is due in early 2023, which will replace the 2000 act and all of its amendments. Waiting for this legislation did cause some upheaval to the market last year, as many were waiting for the certainty provided by the new act. Cash purchasers will be the dominant buyer type of land in the short-term, but they will only consider deals when they see value.

## OFFICES

### GREY SPACE DUE

The two main talking points in the office sector last year were working from home and the tech industry, not just in Cork but across all major urban areas. Grey space (or sub-lettings) coming mainly from tech occupiers has been slower to impact the Cork market. It is about 12 months behind Dublin where almost 32% of all supply is now categorised as grey. However, this trend is now beginning to become more noticeable in Cork with several occupiers considering subletting surplus accommodation. This will push the vacancy level higher in 2023 (currently at about 14%) and may impact headline rents, which have been stable in Cork since 2020. Even if rents remain unchanged, there will be greater incentive packages on offer from landlords. On a positive note, grey space is normally fully-fitted, which will provide cheaper solutions for businesses requiring flexible, short-term accommodation.

## INDUSTRIAL

### SUPPLY HOLDING BACK ACTIVITY

The industrial sector will continue to experience good levels of demand in 2023. While this is positive, occupiers will experience severe difficulties sourcing space, which could hold back full year activity levels. The market now has a vacancy rate of less

Counting House, South Main St, Cork

than 2% and options are limited. Any new buildings being developed have been taken mid-construction and as such, have not added to supply.

Speculative building this year will be limited due to the rising costs of construction and finance. This will mean any larger occupiers in the market may need to agree terms on a design-and-build basis. All of this will result in further rental growth in the months ahead, having already increased by 11% last year. A new data centre recently commenced construction in Little Island, one of three proposed data centre buildings that were granted planning several years ago. This is a sector / occupier type that has been inactive in the Cork market to date, and will be interesting to watch.

## RETAIL

### ADJUSTED TERMS

The retail sector, including those in the food and beverage industry, has been severely impacted by global events in recent years. Just as the sector was beginning to make a post-COVID recovery in early 2022, rising inflation and the resultant increase in interest rates and weaker consumer sentiment began to take hold. In spite of this, property deals have and are occurring on key retailing pitches with the vacancy rate on Patrick Street at 21% and 12% on Oliver Plunkett Street (based on the number of units). While recent deals have been on adjusted terms to those sought in 2019, opportunities are on offer to those retailers who are in a position to capitalise on them.

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